Find our scenario and forecasts

ADVANCED ECONOMIES

United States

Inflation means interest rate cuts will not be imminent. Measured by the CPI (SA data), inflation was surprisingly up in January 2025. In addition, the monthly pace of the headline index (+0.5%, EST: +0.3%) is the fastest since August 2023, bringing the annual variation to +3.0% (+0.1 pp). Core inflation also accelerated (+0.4% m/m, +0.2 pp; +3.3% y/y, +0.1 pp), driven by transport prices. For Jerome Powell, these figures argue for maintaining a "restrictive policy" in the absence of "significant progress" towards the inflation goal. Production prices are following this lead (+0.4% m/m, EST: +0.3%), but in terms of sub-components, these are reassuring as regards the PCE index (the Fed's preferred metric for inflation). Retail sales fell by 0.9% m/m in January, the sharpest monthly drop since March 2023. Manufacturing production also fell (-0.1% m/m) due to motor vehicles (and parts) and non-durable goods, but the total industrial production index appreciated (+0.5% m/m) with the rebound in utilities.

Tariffs, ongoing but not done. Donald Trump signed an executive order increasing tariffs on all steel and aluminium imports to 25%, compared to 10% currently, with effect from 12 March. He also signed a memorandum calling for his administration to prepare to impose "reciprocal" tariffs on all US trade partners; these tariffs are equivalent to those applied by each of these countries to imports of similar goods from the US. According to the US President, this includes taxes and VAT in particular. These measures could take effect from April. And lastly, Trump announced that he would soon be imposing tariffs on car imports.

Euro area

Marginal revisions to the GDP data in Q4 2024. The second GDP estimate showed an upward revision to 0.1% compared to 0.0% for the initial figure (0.052% compared to 0.029% to be precise). Employment was up 0.1% q/q, the lowest growth in four years. **Industrial production fell in December (-1.1% m/m**, of which -8.9% for automotive and -4.5% for petrochemicals). In view of the rapid developments in Ukraine, Ursula von der Leyen, President of the European Commission, announced that she would soon propose the suspension of European budget rules to allow Member States to increase their defence spending. On his part, the frontrunner to be Germany's next Chancellor, Friedrich Merz, is open to the idea of common borrowing to fund Europe's defence.

France **The unemployment rate fell from 7.4% in Q3 to 7.3% in Q4**, as a result of a drop in youth employment rate. At the same time, 12.8% of 18-29-year-olds are not in training or employment, a percentage not seen since before Covid (before the significant rise in apprenticeships). Gross monthly wage was up 2.8% y/y in Q4 (+2.7% in Q3), due in particular, to the anticipated 2% increase in the minimum wage [SMIC] on 1st November 2024. The Bank of France is expecting growth of between 0.1% and 0.2% q/q in Q1 2025 (business survey).

Italy **Industrial production is at its lowest level since the Covid-19 crisis** (-7.1% y/y) due to a drop in all components, except energy (+5.5%). The transport equipment sector was hit hardest (-19.4%), closely followed by textiles and related products (-16.2%).

Switzerland **Inflation continued to fall** (HICP at 0.2% y/y in January), as electricity prices fell by around 10% in January. The core index was up slightly (+0.9% y/y), but remains within the SNB's target range (0%-2%).

Japan **Fears of a trade war have not completely gone away.** The visit to the US by Japan's Prime Minister Shigeru Ishiba resulted in several announcements and statements of intent aimed at defusing any potential tension. Japanese investments in the US will increase from USD 800 billion to USD 1,000 billion and Japanese purchases of US LNG will increase. However, Japan is not expected to escape "reciprocal tariffs" as President Trump reasserted the need to eliminate the US trade deficit with Japan.

United Kingdom **Low and deceptive growth.** Real GDP grew by 0.1% q/q in Q4 2024, driven by inventories (contribution of 1.7 points) and, to a lesser extent, by public consumption (contribution of 0.2 pp). Household consumption stagnated. Corporate investment and exports of goods and services are contracting significantly. The property market is losing momentum, according to the RICS survey. Although positive, the balance of opinion on sales expectations fell in January for the third consecutive month and reached its lowest level since April 2024.

COMMODITIES

The gap between oil supply and demand has narrowed according to the latest forecasts from the International Energy Agency (IEA) and OPEC. The IEA revised upwards its forecasts for growth in global oil demand for 2025, to +1.1 mb/d (+0.05 mb/d), and revised downwards its forecasts for global production to +1.6 mb/d (-0.2 mb/d).

OPEC left its forecasts for growth in demand unchanged for 2025 and 2026 (+1.4 mb/d), while the change in non-OPEC+ production was revised slightly downwards for 2025 and 2026 to +1.0 mb/d (-0.1 mb/d).

On its part, the EIA (US Energy Information Administration) left its forecasts for growth in demand in 2025 unchanged (+1.3 mb/d) and revised these forecasts slightly upwards for 2026 to +1.1 mb/d (+0.1 mb/d). Growth in global production was revised upwards for 2025, to +1.8 mb/day (+0.2 mb/day), and for 2026, to +1.6 mb/day (+0.3 mb/day).